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at Offutt AFB Officers Club.

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JOHN MCMAHON: Colonel Delaney and members of the 544th, I'm delighted with the opportunity to share this evening with you. I would also like to acknowledge General Doyle, who's made my visit very unique, very successful....

Anyone who visits Omaha and Offutt Air Force Base has to be moved. They have to be moved by the obvious dedication and competence which just exudes in this organization. My visit through the 544th Strategic Intelligence Wing yesterday and today, the briefings by the intelligence staff were an experience that I think every American ought to have the honor and the privilege to behold. And one has to come away feeling that if the strategic well-being of the United States is in someone's hand, we ought to be very grateful that it is yours. That is certainly the feeling that I perceive and reflect tonight.

A few weeks ago I had the opportunity to have a dinner partner, Ann Chennault, the wife of the former Air Force General of the famous Flying Tigers. She rose to spoke and reflected a motto that I think every speaker ought to bear in mind. She said, "Speeches ought to be like miniskirts: long enough to cover the subject, yet short enough to be interesting."

[Laughter]

So I will bear that motto in mind.

Before I go much further in thanking you for sharing this evening tonight, I would also like to thank the Madam and Mr. Vice for a fabulous performance.

[Applause]

There's no need to talk to you tonight about the Soviet threat. You live that 24 hours a day every day of your life. Our purpose in the intelligence world is to try and make sure that we can provide for you people all you need to make sure that the Strategic Air Command does everything it needs.

Unfortunately, during the 1970s, some folks in Washington thought otherwise. During that decade, the intelligence community lost 40 percent of their funds and 50 percent of their people. In the past three fiscal years, we have been on the rebuild. And that's fortunate for the United States. The intelligence community has enjoyed these past three years a 78 percent increase in the funds. While the people remained relatively constant, we can excuse some of that because of the beauty of automation, remote sites, and what have you.

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But the health of the intelligence community is being restored. And I hope that is reflected in the intelligence which is flowing out here to Omaha.

If you look around, the demands on intelligence are awesome. It was rather easy right after World War II when we put a simple man-to-man defense against the Soviets as they tried to move into Western Europe. Our mission was a simple one: just to counter the Soviets and give the Marshall Plan an opportunity to take hold. And I think history will bear out that we were successful in doing that.

But in the early '50s we began to realize the Soviets were up to something else. A great deal was going on behind that Iron Curtain that we knew nothing about.

In 1953 President Eisenhower began to panic because we were putting very little information before him on what the Soviets were up to. In fact, the only photography we had was the photography captured from Germans in World War II. And President Eisenhower convened a panel of academicians, industrial experts from across the country, headed by Dit Land of Polaroid Camera, and he asked this panel for advice on what should be done and what could be done.

The outgrowth of that panel recommendation was the U-2. And fortunate for us, we had an individual like Kelly Johnson at Lockheed with the concept of the "Skunk Works," who took the U-2 aircraft from drawing board to first flight in nine months, and a year later we were overflying the Soviet Union. From that day began a whole different dimension in intelligence. The technical intelligence then began to dominate.

Of course, as you all appreciate, we moved rapidly into [unintelligible] and also with more advanced intelligence systems.

The Soviets did not relent at all. They began to put tremendous resources into the building of their strategic forces under Khrushchev. When Brezhnev came along, he realized that the Soviets had built a very impressive strategic nuclear arsenal, but had very little conventional capability. And Brezhnev put a great deal of effort into conventional forces. And now, under Andropov, that continues. And the Soviets, indeed, have built a very formidable force.

Today they spend the equivalent of about 14 percent of their gross national product on defense, exceeding the U.S. by twice as much as what the U.S. invests. And they don't seem to stop at all. While we see an [unintelligible] out on that curve, there's still a fantastic amount of funds flowing into their military hardware.

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But now that the strategic balance, so to speak, in the Soviet mind, has been achieved, that has given them great opportunity to reach out, with their support of their conventional forces. And indeed, we see them doing that.

Ten years ago we could point to some 25 countries under the influence of the Soviet Union, one way or the other. Tonight that number is 50. We see them in <sup>Yemen</sup> Pridi (?) and in Ethiopia, which makes an excellent choke point for the Suez Canal. We see them in Vietnam, which takes the other end of the Indian Ocean. We see them, through the Libyans, causing trouble with the Polisario in Morocco, which threaten the Gulf of Gibraltar, or the Straits of Gibraltar. And, of course, in Cuba and Managua, we obviously see the threat to the Panama Canal.

Bear in mind that some three-quarters of U.S. trade moves through the Caribbean and Panama Canal.

And now other things have happened in the world which really plays into the Soviets' hand. The lesser-developed countries, as we kindly call them today, have amassed a debt of \$625 billion. Last year those same countries could not pay simple interest of \$140 billion. And any country that is trying to grow then must look for greater credits or financing. And, of course, all the world banks withdraw from that. And as they withdraw, they can't produce. And as they can't produce, they can't get more money. And hence that's not a very pleasant picture to behold.

And then you begin to get political unrest and uneasiness. And, of course, that's fair game for the Soviets to move in and exacerbate the stability of those countries.

So, we have a great deal before us just to keep track of what is happening economically in the world, and provide that information to our policymakers so that they can take whatever measures possible to counter that.

And, of course, when you talk economics you also have to talk about the oil situation. And what is happening there? You see it already in the Persian Gulf, not only from the Iran-Iraq war, what that's done to the flow of the oil, but the fact that the Saudis today experience, if you can believe it, a cash-flow problem. The Soviets have ~~exten~~ -- or, the Saudis have extended so much development throughout the other Arab nations that they now have to withdraw from, that those Arab nations are losing their growth. Countries such as Egypt, that had \$2 billion worth of foreign exchange from the people that they've sent overseas to help the Saudis in those development efforts, are now coming back home, joining the unemployment lines. And, of course, that balance of payment worsens for Egypt.

So, all over the world, we have this very unsettling picture of economics.

And when you think economics you also have to think of the civil technologies that is growing in places like Europe and Japan. And we find that our friends are more a threat to us than our enemies. The United States have owned markets for years around the world that we are now losing. What will the trade be like ten years from now, when the Japanese not only compete with us in the electronic chips, but also in computers? How many Detroits can the United States suffer?

The Japanese already put us on notice that they're coming after us in our computers, and indeed they are. Fujitsu and Hitachi have developed computers comparable to our Cray, a super computer.

The West Europeans also can compete with us electronically. They have a different way of life than we do. We take a company in the United States, and under the good old capitalistic system, we say, "Go sic 'em." They compete with each other. And they go over to Europe and to Japan, and they don't deal with another company; they deal with a government.

When IBM wants to talk computers in Japan, they talk to the Japanese government. When the French decided that they were going to take on Boeing with the Airbus, they put \$1.2 billion into the development of the Airbus. They put \$1.3 billion into marketing. And they put \$400 million a year into subsidies. And then they turn around and use Elysee and their diplomatic leverage to pressure countries that want to deal with France to buy the Airbus in lieu of the Boeing aircraft.

The United States government cannot sit idly by, with its present laws and arrangement, and allow that to happen without bringing the muscle of the government to bear on that.

The computer industry alone, in the 1990s, will be a \$300-billion-a-year business. And we can't let that get away from us. And we can't let the aircraft industry get away from us either.

All of this burden seems to fall on the intelligence community to try and raise the alarm, so to speak, as to what is happening in the world and what is happening to these technologies in these various countries.

And you look at technologies and you come upon one of my favorite sports, and that's technology transfer, where we virtually give away to the Soviet Union just about all the technologies we have. And what we don't give, they're able to steal.

The Soviets had the plans to the C-5A before it flew. They have plans to our Minuteman, our nuclear weapons. The laser range-finder in their tanks comes from the United States. Their computers are IBM computers. Their production line for micro-chips come from the United States.

The Soviet Union and their surrogates have 30 companies right here in this country who enjoy all the privileges and protection by law of U.S. persons. They're able to trade with U.S. companies and get those high technologies from those companies that produce it. And our laws only go to export. And, of course, the export laws between here and Canada are negligible. So the Soviets have dummy firms in Canada, flow the stuff up to Canada, and then out to the Soviet Union.

Their radars, their look-down, shoot-down radars are ours. When we first intercepted the AWACS [unintelligible] IL-76 it had the parameters of our radar. And indeed it ought to, because it was.

We see this as the highest priority of the KGB in the United States. They are doing wonders in stealing them. And what they don't steal that way they steal through our subsidiaries in Europe, plus the 300 companies that the Soviets own in Europe where they also get access to that technology.

And what does it mean to you? It means that you have to fight your own weapon systems. It means that we need a \$247 billion defense budget just to stay even with ourselves.

And some day we'll have to choke all of that off and to stop that.

And then when we can stop worrying about such things as the military might of the Soviet Union or what is happening economically, we have such odd little things as terrorism, which unfortunately is a growth industry throughout the world. But what is different this past year is that it's being focused on Americans because they're Americans. Americans worldwide are being targeted. In times past, it was the American businessman who was kidnapped because he was the banker. When a terrorist organization ran out of funds, they turned to the local American businessman, kidnapped him, and got their fiscal funding for the next year. In the last seven or eight years, U.S. businesses have coughed up \$125 million in ransom money to get their executives back.

But now the terrorist organizations are forgetting that and they're simply blowing up Americans because they're Americans. And our task is not only to thwart that and find it out, but to neutralize it. Not an easy one.

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And in the United States itself, we have the tremendous flow of narcotics from overseas. It's a \$100-billion-a-year business in the United States. There is so much money, that when you cut off one trafficker or one route, there's ten to take their places.

And what we want to focus on is not the trafficker or the Mafioso that's pushing it, and try to figure out how do they clean that money up. How does that \$100 billion get laundered and end up in the churches and shopping centers and apartment buildings and condos in the United States? That is happening. So we want to try to unearth how that transaction takes place [inaudible].

I can say that, from my experience, I'm quite content that intelligence is here to stay. The demands are awesome. We have, I think, a Washington today that is eager consumers of intelligence, and they know how to use it. I've never found a requirement erased. They just keep adding to it. And our job is trying to organize those [unintelligible] to respond to as many as possible.

Fortunately, we have a President that is eager to have a strong intelligence community. We have a Congress that is very supportive. And I say that with one exception. That really, when the rebuild of the intelligence community started in fiscal-'80, it was Congress that overrode the President to put funds back into the intelligence program, including people. And they fenced the money so it could only be used for intelligence, because they had realized, through their actions, they had almost decimated the intelligence organizations of the United States. And out of good conscience and the fact that the American people were becoming very uneasy, it's starting to flow back.

And with the advent of President Reagan, who just picked up on Congress, and so we are doing well.

The oversight that we have enjoyed from the Senate has been most responsible and most balanced. The House was a super House until this spring when they split over partisan lines over Nicaragua and the agencies involved in Nicaragua. And that split was pure partisan politics.

But one thing that was interesting -- and all of you should realize this -- that had we not had those intelligence communities, CIA would have been hung out to dry like it was in 1974 and '75. But the fact that those two committees of Congress are knowledgeable of everything we do, they were there for the takeoff and they knew they had to be there for the landing. And suddenly the war quieted down.

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Now, I'm quite prepared to have Congress have differences over the policies of the United States. Whether they want to take issue with the President on those policies is their prerogative. But what they should not do is, one, accuse the agency of breaking the law, which it did not do; or, two, raise the example that, quote, other members of Congress think that the agency is breaking the law.

Two things have happened. The summer rest, I believe, has begun to turn the House around. And also, the Korean airline incident has sobered up those members of Congress to realize what we're dealing with when we talk Soviet.

The Soviet may wear Western clothes, he may look Western, and he may eat Western food, but don't you think for one minute that they think like you and I. Don't you think that they negotiate like you and I. There isn't an honest bone in their body, and never has been.

[Applause]

The Soviets never enjoyed the pleasure, the honor, or the suppression of the Roman Empire, or the culture that flowed from that. They never enjoyed the culture of the Orient. They were stuck in between and suffered close to 300 years of Mongol rule, which was pure devastation and harshness. And that permeates their bodies and permeates their thinking. And they will only agree if there's something in it for them at the end.

When the Soviets shot down the airplane and then proceeded to lie and lie, even changing their lies, and keeping it up, I remarked to my wife, "How can they be like that when the whole world knows the difference?"

And she quoted for me a saying that said, "The Russian, great and small, will lie or breach a promise to achieve his end. That a Russian neither believeth what anyone says nor speaketh the truth himself."

That quote came from Sir Giles Fletcher, who was the British Ambassador to the Court of Fador (?), son of Ivan the Terrible, in 1588. And in 400 years, they haven't changed their colors.

And that is why, Officers of the 544th, I'm grateful to folks like you. Keep it up.

Good night.

[Applause]